

2/C
49207

COPY NO. 39

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: MAY 31 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

DIA, DOS, USAF Declassification/Release Instructions on File

TOP SECRET

SECTION 1 (SOVIET)

"B" USSR. Soviets Admit Increased State Control is Main Purpose of Collective Farm Consolidation. With more than usual directness a Soviet book entitled Collective Farm Law, published in Moscow, 1950 acknowledges that increased state control is a primary objective of the collective farm consolidation drive. (R SD Dispatch 625, 25 Apr 51). COMMENT: Previously noted Soviet propaganda on the necessity for consolidation was based for the most part on increasing productivity and efficiency in agriculture.

"B" PRAVDA Charges that UK Unlawfully Took Bhutan and Sikkim from Tibet. In a PRAVDA article discussing the reported agreement between Communist China (CPR) and Tibet, the charge was made that Britain, in 1890, had unlawfully taken the Province of Bhutan and the principedom of Sikkim from Tibet. The Moscow press has recently been featuring the "peaceful liberation" of Tibet by the Chinese Communists. (U AP Moscow, NY Times, 30 May 51). COMMENT: This propaganda charge, coming on top of the Peking announcement on Tibet, serves to question the legality of present boundaries, and indirectly sets the stage for claims that India unlawfully administers Sikkim, and that the independent state of Bhutan should be incorporated into Tibet. While the Chinese Communist Government in February assured the Indian Government that it recognized the present boundaries between India, Tibet and China, some maps were brought out at that time showing the Chinese boundary to include Bhutan, Sikkim and part of the Indian province of Assam. Though the CPR said the maps were not considered official, their assurances to India on boundary matters were not viewed as permanent.

"A" EASTERN EUROPE. CZECHOSLOVAKIA. Intensified Police Action Reported Against Western News Agencies. US Ambassador Briggs in Praha has been notified by his French colleague that the Acting Chief of the Agence France Presse, a Czech national, has been arrested. Increased police activity against Czechoslovak employees of the United Press and Reuters News agencies is also evident. Briggs interprets this activity as an attempt to intimidate Western correspondents into leaving Czechoslovakia or at least refraining from reporting material unfavorable to the Communist regime. He also points out, however, that the Czechoslovak Government may be preparing to arrest other foreign correspondents as accomplices of Oatis. (C US Emb Praha 758, 27 May 51).

"B" YUGOSLAVIA. Clandestine Yugoslav Activity in Bulgaria. [REDACTED] 25X
25X1C [REDACTED] the Yugoslavs are reportedly smuggling and stockpiling small arms in Bulgaria. It is also reported that an armed group of Bulgarian refugees, carrying a radio sending and receiving set and accompanied by Yugoslav Security Police Officers, is returning to Bulgaria in the near future with strict warning regarding security breaches. [REDACTED] 25X1A COMMENT: Considerable evidence is available that the Yugoslavs are successfully sending espionage agents into Bulgaria. There have also been rumors that the Tito government is

TOP SECRET

25X1C

smuggling arms to Bulgarian resistance groups including peasants opposing mass collectivization measures. [REDACTED]

25X1C

[REDACTED] Yugoslav authorities have organized a Bulgarian emigre organization to conduct espionage and propaganda activities against the Sofia regime. (O/CI Daily Digest 23 Apr 51).

"C"

YUGOSLAVIA. Court Evidences Leniency in Trial of Alleged Cominform Agents. The trial of four persons, including an employee of the Czechoslovak Embassy, recently arrested on charges of espionage on behalf of the Czechoslovak Government is under way in Belgrade. Although all defendants have pleaded guilty to the major charge, the trial has been marked by the degree of leniency granted to the defense lawyers to defend their clients in contrast to previous trials which have been conducted along Soviet lines. The Czechoslovak charge d'affaires was even permitted to visit the Czechoslovak Emb employee in prison before the trial and arrange for his defense. All defendants are expected to receive relatively light sentences. (U NYTimes, 30 and 31 May 51). COMMENT: Although the present trial is being conducted according to rules of procedure which have been used in Yugoslavia since the regime came to power, a new code of laws is soon to be put into operation which ostensibly restores many rights to defendants. The Government undoubtedly hopes to use the current trial to contrast Yugoslav court procedures with those in the Soviet orbit. In the March trial of 5 Yugoslav citizens accused of working for the Hungarian intelligence service, however, no leniency in trial procedures or in the sentence was evident.

TOP SECRET

SECTION 2 (EASTERN)

- "C" GREECE. Commander in Chief Papagos Resigns. On 30 May Greek Field Marshal Papagos resigned for reasons of health, and King Paul took over as Commander in Chief of the armed forces. The US Consulate in Salonika reports that during a tour of Northern Greece last week, Papagos repeated his admonitions to army officers to avoid politics and made clear to the public that he has no political ambitions. (U New York Times, 31 May 51; C Salonika 339, 28 May 51). COMMENT: While Papagos' health is not good, his resignation was probably caused by the rift which has been building up between him and King Paul, who became annoyed recently over the part which Papagos allegedly played in the Metaxas affair (a scandal involving one of the King's advisors). Papagos has been advised repeatedly by US officials in Greece that if he should wish to enter Greek politics, it would be advisable for him to do so as a private citizen, and not to run for office while either participating in a caretaker government, or while holding the position as Chief of Staff. While Papagos may now genuinely be going into retirement, he may re-emerge on the political or military scene at any time. This possibility will be a matter of considerable concern and interest to the Greeks in the coming months preceding the national elections.
- "B" SYRIA. Possible Reorganization of the Syrian Government. According to US Charge Clark in Damascus, there are unconfirmed rumors in Syria that Prime Minister al-Azm may soon resign and possibly be replaced by a coalition government which would include the Populist Party of former Prime Minister Qudsi. These reports also suggest that a new political grouping known as the "Action Party" may soon be formed to furnish independent support for the Populists even though Qudsi himself is apparently not mentioned as a candidate for the Prime Ministership. Clark states that al-Azm's administration has come under attack from several important political groups for the Prime Minister's alleged failure to initiate a progressive reform in Syria. The pressure against al-Azm is reportedly from civilian groups this time, rather than from the Army itself. Clark adds that if the current Syrian Cabinet should fall, it is not impossible that al-Azm might accept the Prime Ministership of the succeeding government. (C Damascus 677, 28 May 51). COMMENT: Since he became Prime Minister last March, al-Azm has been handicapped, as was his predecessor, Qudsi, by the Army's strong influence on Syrian politics. Al-Azm has had relatively little criticism from domestic groups in the past two months largely as a result of the Syrian-Israeli border dispute, which temporarily united the major political groups within Syria against what Arabs

TOP SECRET

TOP SECRET

generally believed was an Israeli threat against Syria. There's no indication, however, that if a new government does come into power, that the Army will lose its dominant position in Syrian political affairs.

"B" LIBYA. King Designate of Libya Recently Accorded More Favorable Reception in Tripolitania. US Consul-General Lynch in Tripoli reports on 29 May that Sayed Iddriss, the King Designate of Libya, after initially being given an unenthusiastic and almost hostile reception in Tripolitania (See OCI Daily Digest, 24 May 51) has traveled widely throughout the country and has been on the whole well-received. Lynch states that the King Designate is now so pleased that he has postponed his departure for Benghazi (his residence in Cyrenaica) for two days. Apparently the unfriendly public demonstrations against Sayed Iddriss in Tripoli were largely arranged by Bechir Saadawi. (S Tripoli 400, 29 May 51). COMMENT: The well-known Tripolitanian political leader, Bechir Saadawi, is reportedly subsidized by Egypt and is opposed to the UN-sponsored United Libyan State which would thwart his political ambitions. In recent months Saadawi has voiced anti-US sentiments, following the Communist "line". The unexpectedly cordial reception which Sayed Iddriss has had in other parts of Tripolitania would indicate that Saadawi's influence is somewhat limited.

TOP SECRET

4

"B" INDONESIA. Prime Minister Presents Cabinet Policy. In a brief policy statement to Parliament on 28 May, Prime Minister Sukiman said that preservation of security will have priority in his government's program. Next in importance will be the formation and implementation of a "national prosperity plan" which must include increased production and nationalization of enterprises which are important to the life of the people. The Prime Minister anticipates revision of agrarian laws, enactment of labor legislation, and rescinding of the controversial turnover tax to be replaced by a sales tax on imports and manufactured products. There will be no change in foreign policy; continuing its policy of "independence," the government will not participate in the cold war and will preserve friendly relations with any state which regards Indonesia as friendly. With regard to reconsideration of Indonesian relations with the Netherlands, Sukiman said the government's aim is to arrive at cooperation between the two nations on a basis normally used by two independent and sovereign states. The government, however, will take into account the findings of the state committee set up by the former cabinet to study existing agreements between Indonesia and the Netherlands. [REDACTED] U Djakarta 1668, 28 May 51).

25X1A

COMMENT: The cabinet, whose program reflects a more nationalistic trend than did that of the former government, is expected to receive an early vote of confidence from Parliament. Although it is probable that security measures will be pressed with greater vigor and possibly with greater success than heretofore, increased efficiency in other fields of administration is highly unlikely, and attempts at nationalization will probably lead to even more muddled conditions than now exist. Abrogation of the Netherlands-Indonesian Union and revision of the Round Table Conference agreements of 1949 have been pressed by nationalist parties for months and probably are inevitable. The extent of such revision is not yet known.

"A" CHINA. Communist China's Trade Negotiations with Indonesia Reported Near Completion. [REDACTED]

25X1C

negotiations for the purchase of 400,000 tons of rice by Indonesia from Communist China are nearing completion. The rice is to be shipped from China within two months. [REDACTED] the rice will be paid for by a credit in Indonesia for use by the Chinese at a later date. [REDACTED]

25X1C

25X1A

COMMENT: These negotiations (although the 400,000 tons of rice offered seems excessive in terms of Chinese capabilities) are probably related to a previous Chinese offer to buy 50,000 tons of rubber from the Indonesian Government, giving rice and possibly tungsten in exchange. Since the Indonesians have declared their intention to respect the UN embargo resolution, they undoubtedly would like to avoid a rubber-rice barter arrangement, preferring to pay in credits which the Chinese might later use to buy up rubber from private merchants.

TOP SECRET

25X1C "C" CHINA. Soviet Personnel in South China. [REDACTED] the presence, in April, of "more than 1400" Soviet advisory-technical personnel in the Canton area, and some 430 such personnel at other points in South China. [REDACTED]
COMMENT: Although an increase in Soviet personnel in the Canton area was reported in March, the above figure seems high; other estimates are in the low hundreds. The above total for other areas of South China is not unreasonable, but the figures are incomplete and cannot be confirmed. 25X1A 25X1C

25X1C "C" CHINA. Soviet and Chinese Communist Activity in Mukden. [REDACTED] as of early 1951, (1) the return to Mukden of the former Soviet Garrison Commander (given as "Kao-fu-tang"); (2) the presence of "a number" (unspecified) of Soviet advisors with the Mukden municipal government; (3) the appearance in Mukden of Soviet airmen--who have exclusive use of two airfields in the vicinity --and of Soviet jet planes which are often seen flying in formations of 40 to 50 aircraft; and (4) the establishment of a concentration camp in which are confined some 30,000 ex-Kuomintang military and civil functionaries. [REDACTED] 25X1A
COMMENT: This is the second report of the return of the former Soviet Garrison Commander (presumably General KOVTUN-STANKEVICH, G.O. in 1945-46). Soviet advisory personnel are known to be attached to the city government. A Soviet military advisory mission has also been reported, and [REDACTED] Soviet airmen are flying jets in the area. Thousands of "counter-revolutionaries" (mostly ex-Nationalists) have been arrested in Mukden, but the figure of 30,000 prisoners cannot be confirmed. 25X1C

"C" KOREA. North Koreans Accuse US of Infiltration. A 28 May North Korean broadcast, in Korean, accuses the US of employing "spies and destructive elements - - - in order to - - - weaken the fighting ability of our people." The broadcast noted that these new tactics were employed only after alleged US biological warfare and US "shameless forgeries" proving North Korean aggression had failed to "cover their military failure". (R FBIS, 29 May 51). COMMENT: This latest propaganda line may be an attempt to account for the unrest and anti-Communist activity that is known to exist in North Korea.

"C" KOREA. Communist Air Activity Continues in North Korea. An Air Force operational summary of 30 May reports two recent attacks made on UN B-26 bombers by Communist conventional type aircraft. One attack occurred on 28 May in the Wonsan area on the East coast and the other on 29 May in the vicinity of Anju on the West coast. (S FEAF AX 8107, D/I Eval., 30 May 51). COMMENT: These incidents indicate the continued ability of the Communists to launch limited attacks by conventional type aircraft from fields probably in North Korea.

TOP SECRET

TOP SECRET

- "B" KOREA. Calibre of Recent Chinese Prisoners Lower than Usual.
The Intelligence Staff of the US Far Eastern Command reports that the "calibre of Chinese Communist prisoners of war taken in the current offensive is appreciably lower than those previously captured with respect to status of training and physical appearance." (S DA-CINCPAC Telecon # 4765, 31 May 51). COMMENT: This is the first firm indication received in this office of Chinese utilization of inferior soldiery in the Korean campaign. Previous Chinese prisoners (particularly those from the 3rd and 4th Field Army) were veterans with a considerable degree of training and a fairly high level of combat efficiency.
- "C" KOREA. ROK Government Demurs at Inflation Control Measure.
Ambassador Muccio, commenting on inflation control in South Korea, reports that the ROK Government still is not willing to raise the counterpart rate (the rate at which the ROK Government collects local currency for US financed and imported goods and deposits the proceeds in a reserve fund) from 4,000 won to 6,000 won to the US dollar. Muccio observes that agreement on a counterpart rate at a realistic level is of utmost urgency in controlling inflation in the ROK. Despite concurrence in ~~Executive Order~~ stand by the Prime Minister and Finance Minister of the ROK, President Rhee and other Ministers feel that such a "devaluation of the won" would contribute to inflation, and that repayment of ROK loans to the UN for essential local expenditures will be the major solution to inflation. (S Pusan # 995, 29 May 51). COMMENT: Although there is considerable sense in the President's allegations that the "UN Loan" is a primary contributor to inflation, his stand on the counterpart rate offers further evidence of the economic immaturity to be found in the ROK Government.

TOP SECRET

57

SECTION 3 (WESTERN)

"B" GERMANY. West German Leaders Disappointed Over Council of Europe Session. West German delegates to the recent Council of Europe meeting in Strasbourg have indicated their general disappointment with the failure of the Council to achieve concrete results. They are now convinced that Britain is unwilling to join a United Europe and that, without England, French support is at best lukewarm. Leaders of the German Government coalition were, however, pleased with the positive action of the Council in endorsing the Schuman Plan, and want to proceed with rapid ratification of the Plan in Bonn in order to give new impetus to the European movement. Meanwhile the opposition Social Democrats have criticized the Council session and its endorsement of the Schuman Plan as inconclusive. (C Bonn Unnumbered, 24 May 51)
25X6 COMMENT: Initial west German enthusiasm over achieving equal status in the Council of Europe has apparently waned as a result of the recent Council session. The German Government leaders still feel, however, that the Council can provide a good opportunity for increased German influence in Western European affairs, and will continue to press for the creation of an effective European Parliament within the Council structure.

"C"



"A" New Soviet Interference with West Berlin Trade. Soviet authorities in Berlin have initiated new measures which are seriously holding up west Berlin's export trade with the West. Approximately two weeks ago, Soviet authorities responsible for screening interzonal trade

TOP SECRET

TOP SECRET

permits for certain restricted goods shipped by west Berlin firms to western Germany, began refusing to approve all requests for permits, insisting that they be accompanied by a certificate showing the origin of the raw materials used in the manufacture of the goods. This move has resulted so far in the back-logging of over 5000 permits. At their meeting on 31 May in Berlin the Allied High Commissioners will consider various counter-measures proposed by US officials in Berlin, including: (1) an embargo of certain items scheduled to be shipped from west Germany to east Germany, a tactic designed to produce the quickest Soviet reaction and force them to approach the Allies for a solution of the problem (as in the case of the recent barge war), and (2) insistence on the right of each Berlin sector commander to approve deliveries of goods from his sector without Soviet clearance. Berlin city officials favored the latter course, although they felt that the possibility of its rejection by the Soviets might necessitate a temporary small air-lift. (C Berlin 1428, 25 May 51; S Berlin 1437 & 1443, 29 May 51) COMMENT: This Soviet move constitutes the most serious recent harassing measure in Berlin, in view of the extreme importance of west Berlin's trade with the West. It also comes on top of the recent Soviet measures considerably reducing waterway access to Berlin and making the delivery of goods between Berlin and western Germany more difficult.

"B" FRANCE. Delegates Are Apathetic at Opening Session of CGT Congress. Delegates to the national congress of the Communist-controlled General Confederation of Labor (CGT) are reported to have dutifully applauded, without apparent conviction, the militant opening addresses by Secretaries General Benoit Frachon and Alain Leleap. Some 2,000 delegates listened attentively to Frachon's expose of workers' low wages, industry's high profits, and the government's anti-labor policies, but when he went on to the "international" tasks of the working class about a third of the audience wandered out into the lobby where a number of unenthusiastic comments were overheard. One delegate allegedly asked: "How can you oppose war production when the plant produces nothing else? You have to quit working." (C Paris 7340, 29 May 51) COMMENT: This is a further illustration that French labor will support their CGT leaders so long as the issues are purely economic, but quickly become disinterested when political problems are injected. The CGT has already outlined a program of lowered military production in defense plants, and is urging conversion to "peace production" in order to preserve jobs.

"A" ITALY. Communists Gain Votes, Lose Control of City Governments in Industrial North. In the local elections held on the week-end of 27 May in 28 provinces, largely in north Italy, the Communist bloc tallied 35.3% of the vote as compared to 32% in the national elections of 1948. The pro-Government bloc tallied 41.1% of the vote as compared to 49% in 1948. The anti-Communist parties gained administrative control of 2,340 out of 2,735 communes. (R Rome 5425, 30 May 51; R Milan 181, 29 May 51; U NY Times, Rome, 31 May 51;

TOP SECRET

TOP SECRET

R Rome Radio, 30 May 51) COMMENT: The final series of spring elections, to be held on 10 June, can be expected generally to follow the same pattern. Control by the pro-Government parties of municipal councils in most of the important industrial centers (except Bologna) across the militarily strategic north of Italy was accomplished by an electoral system of linked lists which permitted the large bloc of pro-Government parties to win 2/3 of the municipal council seats wherever the bloc won a plurality of votes. On the other hand Communist control of industrial labor appears stronger than ever. The gains by the pro-Communist bloc suggest that, as anticipated, (see OGI Daily Digest, 17 May 51) Premier De Gasperi and his Christian Democrats were unable to keep domestic problems (high cost of living, unemployment) from becoming the main issue of the campaign.

"A"

Italians to Stall on New Soviet Demands for Trade Agreement. The Italian Foreign Office reports that Soviet representatives are again pressing for the renegotiation of a one-year trade agreement to replace the agreement signed in November 1948. The Italians will attempt to stall definite negotiations, especially in view of possible complications from the "Kem" amendment. They point out, however, that it is desirable to conclude some type of agreement owing to Italian need for Soviet wheat and manganese. The Italians indicated that although a trade agreement with the Soviet Union will require them to grant a ball bearings quota, they will not ship the ball bearing plant the Soviet representatives desire and they will seek Western approval of ball bearings quotas they do grant. (S Rome 5417, 29 May 51). COMMENT: Because of the increasingly short supply of raw materials the Italians are anxious to conclude trade agreements which will enable them to procure a maximum quantity of such materials. At the same time, however, the Italians will endeavor not to make agreements which will be at too great a variance with western export controls.

"C"

SPAIN. Opposition Reported Planning New Madrid Strike. US Embassy Madrid has been informed that the CIC (non-Communist opposition coalition Comité Interior de Coordinación) regards the 22 May Madrid consumers boycott as having been so successful that it is planning a new, more forceful demonstration. Rumors of a general work stoppage on 5 or 7 June are circulating in Madrid. The Embassy comments that the effectiveness of the 22 May boycott of public transportation, retail stores and amusement places (described by some Spaniards as a "peaceful plebiscite against the regime") was greatest during the morning but dwindled by afternoon, chiefly because the government, by using Falangist and other supporters as decoys on public transportation, was able to delude many into thinking the boycott had been a failure. Moreover, many government workers used public transportation for fear of reprisals if they were reported as participating in the boycott by walking. Industrial labor, however, carried out the strike almost completely throughout the day. (S Madrid 1092, 29 May 51) COMMENT: The 22 May demonstration was more effective than had been anticipated and suggests that the non-Communist clandestine labor groups

TOP SECRET

TOP SECRET

(the Socialist UGT and the Anarcho-syndicalist CNT) may have more extensive organizations in Madrid than had previously been estimated. A CIC call for a general strike in Madrid during the first week in June would appear to be overly ambitious. However, the CIC may feel that June would be the most propitious time for a successful general strike, as food stocks will be lowest during that month before the new harvest begins.

"C" SWITZERLAND. Swiss Dependent Upon West for Critical Items in Rearmament Program. The Swiss Director of Intelligence has informed the US Military Attache that the Soviet Bloc does not want to sell armaments to Switzerland and that the Swiss do not want to buy from that area because they do not want to entertain military representatives of the Eastern powers. The last armament purchase made from the Soviet Bloc was for 150 tank destroyers from Czechoslovakia in 1949, that item being the only important Soviet area equipment now in use in the Swiss army. This Swiss official further stated that the Swiss have no illusions which side they will have to fight on if they have to fight and that they are also sure the Soviet Union is aware of this. They therefore prefer to buy armaments from the West to be assured of replacements, spare parts, ammunition and advice. (S USMA Bern, R-131-51, 28 May 51) COMMENT: Despite important equipment deficiencies the Swiss army compares favorably with other western European armies in regard to armament. The Swiss apparently fear, however, that, as Western rearmament increases, it will be more difficult for them to procure the military items and raw materials they need for rearmament, thus making Switzerland a weak link in the western defense line that might invite Soviet attack in an all-out war.

"C" DENMARK. Defense Minister Proposes Small Extension of Military Service. The Defense Minister has submitted a bill to the lower house of Parliament increasing military service from 10 to 12 months, with an additional 60 days of training later. This compromise proposal represents Denmark's reply to a US request (see OCI Daily Digests 11 and 12 May 51) that military service be increased from 10 to 18 months. (NY Times, 30 May 51) COMMENT: The Danes recognize the need for an intensified defense effort but question the capacity of the Danish economy to support at this time the cost for additional barracks, military equipment and other facilities. Moreover, the Danes point out that they lack the officer and noncom personnel necessary to train recruits over an 18-months' period. The Parliament will undoubtedly approve the present compromise proposal; but an improvement in Denmark's economic position, plus an expansion in officer cadres over the next year or so, may make Parliament willing to accept a further extension of the period of military service later on.

"B" SWEDEN. Foreign Policy Becoming Partisan Issue. Sweden's abstention in the recent UN embargo resolution has increased the cleavage on foreign policy between the Social Democrats and the Agrarians on the one hand and the Liberals and the Conservatives on the other. The latter group

TOP SECRET

is increasingly outspoken in urging that Sweden adopt a more unequivocal pro-UN position on the Korean issue, while the Social Democrats with Agrarian support favor the present policy which does not even permit Sweden to brand Communist China an aggressor. The increased debate reflects Swedish reaction to the mounting international tension, which tends to make the isolationists more isolationist and the anti-isolationists more desirous of close cooperation with the West. (C Stockholm Joint Week No 21, 28 May 51). COMMENT: The vigorous discussion of foreign policy, particularly the UN policy of Sweden, does not presage any early alteration in Sweden's basic foreign policy of no-alliances, or even a modification of its abstention policy in the UN, for the Social Democrats and the Agrarians—the most dogmatic proponents of the present policy—control the Parliament. Moreover, even the Liberals and the Conservatives do not advocate a change in the basic policy, but merely favor closer cooperation in such UN measures as the arms embargo as an indication of Sweden's basic solidarity with the UN and the West. Essentially, however, the debate reflects the inner uncertainty and insecurity of the Swedes concerning a foreign policy which is claimed by the government to enjoy the wholehearted support of the overwhelming majority of the nation.

"C" UNITED KINGDOM. Opposition Promises Support of Present Government Position on Iran. "Full support of His Majesty's Opposition" was promised by Winston Churchill in Parliament on 30 May for the government position on Iran outlined in Foreign Secretary Morrison's 29 May statement (in which he announced UK willingness "to consider a settlement which would involve some form of nationalization" but emphatically attached the condition that such a settlement must be "satisfactory in other respects"). Another Conservative MP asked and obtained a renewed assurance that British lives and property in Iran would be protected; and no substantial dissents from the government position were expressed by its left-wing back-benchers. (U London 6265, 30 May 51) COMMENT: This closing of ranks on the Iranian oil dispute, which is in marked contrast to the critical attitude taken recently by both Conservative and Labor MPs toward the government's Egyptian policy (see CCI Daily Digest, 31 Mar 51) is a measure of how seriously the problem is now regarded by British public opinion. Previously, the government had given some indications of concern over the possibility that it might be subjected to Parliamentary attack on its Iranian policy.

"C" MEXICO. Mexican Labor to Withdraw from the ICFTU. The US Embassy in Mexico City has been informed that the National Committee of the Confederación de Trabajadores de México (CTM) has decided to withdraw from the ICFTU (International Confederation of Free Trade Unions). The CTM gives the following reasons for its intended withdrawal: (1) The inability of the ICFTU to understand and to deal adequately with Latin American problems; (2) the undue restrictions placed by the ICFTU on regional freedom of thought and action; (3) the domineering attitudes of ICFTU leaders and domination by Europeans and North Americans. Indications

TOP SECRET

TOP SECRET

are that the CTM will not swing toward cooperation with the "third position" of Argentine labor, but will emphasize national feeling and will concentrate on the national political scene (C 1511 Mexico City, 28 May 51) COMMENT: The CTM is Mexico's principal labor confederation, and represents the chief source of the government's organized labor support. Although the CTM decision to withdraw from the ICFTU in no way represents Communist influence, the Communists will benefit in that the decision provides (1) evidence of the inability of the ICFTU to form a strong anti-Communist Latin American labor confederation to compete with the CTAL (Confederacion de Trabajadores de America Latina), and (2) evidence of a popular desire to concentrate on national affairs rather than become involved in international obligations.

TOP SECRET

49207 a

CENTRAL INTELLIGENCE AGENCY

DAILY DIGEST SUPPLEMENT

39

MAY 31 1951

Not for dissemination outside O/CI and O/NE.

SECRET

SECRET

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES31 May 1951

SECTION 2 (EASTERN)

- "B" JAPAN. MacArthur Removal Testimony Has Adverse Effect. According to the US Political Adviser, Tokyo, advises that the testimony by Secretary Marshall and the JCS on MacArthur's removal continues to have an adverse effect on Japanese public confidence in the US. The "overly frank revelations" regarding present US military unpreparedness to meet the world-wide Communist threat, the impression given the Japanese that Europe has the greatest defense priority and the President's reference to the "terrible danger" facing the free world combine to make the Japanese grimly conscious of their precarious position on the edge of Communist Asia. While most Japanese seem eager to remain aligned with the US, the "revelations" give greater plausibility to the Japanese Socialist-Communist line that Japan has another way out of the present dilemma, namely, neutrality in the East-West struggle. The left-wing dominated Socialists, although roundly defeated in the last election, would work seriously to US disadvantage if they were to come to power or were able to become an effective opposition to a US-aligned conservative government. (S Tokyo 2062, 31 May 51).
- "B" IRAN. Prime Minister Again Outlines Program on Oil Issue. US Ambassador Grady reports that Prime Minister Mossadeq in conversing with him on 29 May, had complained that the Anglo-Iranian Oil Company (AIOC) had sent to the Oil Commission only one man without authority to do more than listen. Mossadeq declared that the Government would implement its plans by imposing customs taxes on AIOC imports, supervising all Company transactions and taking over direction of the Company. Force would not be used. Turning to the question of conversations with the UK, Mossadeq stated that he hoped for negotiations with the UK Government concerning the purchase of oil from the Iranian nationalized company and with "the ex-Company" to settle the company's just claims for compensation. He concluded by emphasizing his three point program; (1) just claims of the Company will be paid; (2) the present staff of the AIOC will be retained to run the oil industry until Iranians are trained to do so; and (3) the administrative council directing the Company will have a majority of foreigners of a "nationality acceptable (to the) US and UK". (S S/S Tehran 3027, 29 May 51). COMMENT: Mossadeq's program as outlined above is consistent with the Nationalization Law and with his government's previous position on the Iranian oil issue. Many of the points

SECRET

14

SECRET

he made to Ambassador Grady are reportedly incorporated in the 30 May note which the Government handed to the Oil Company stating that the Company would be taken over without delay. The Iranians remain determined to implement the nationalization law and believe that they can do so unilaterally, then offering the AIOC sufficiently satisfactory terms to persuade the Company to continue running the industry.

"B" IRAN. Arrangements Completed to Evacuate AIOC Employees if Necessary. The Counselor of the British Embassy informed the US Embassy on 29 May that the Anglo-Iranian Oil Company is authorizing its British staff to send their dependents home if they so desire. Evacuation plans for the Abadan area are established and provide for the evacuation of 7,000 persons including Indians and Pakistanis. Fifteen oil tankers are available at all times, in addition to a passenger ship and five large transport planes. Middleton states that all but 150 technicians can be moved within 48 hours. (S S/S Tehran 3034, 29 May 51). COMMENT: This natural concern for the personal security of Commonwealth citizens in Iran does not, however, mean that the UK Government is in a yielding mood on the oil dispute.

"B" AFGHANISTAN. War Minister Daud is reportedly bidding for power in Afghanistan. After canvassing informed opinion in Afghanistan and Pakistan, the US Embassies in Kabul and Karachi report that Prince Daud, Afghan Minister of War and of the Interior as well as one of the most ardent supporters of the Pushtoonistan movement, is primarily responsible for the current unrest between Afghanistan and Pakistan, which has resulted from a build-up of Afghan armed forces in Kandahar and Kabul and from a reinforcement of border troops in western Pakistan. Prince Daud is supposedly maneuvering himself into position to make a "bid for power" in his country. Neither the nature of his bid nor the power to which he aspires is mentioned. (S Kabul 374, 24 May; S S/S Kabul 383, 28 May; S Karachi, DWH 53, Joint Weeka 21, 25 May 51). COMMENT: Daud may well be responsible for the recent Afghan military activities in Kandahar and Kabul, and he is believed to have strengthened his political position in Kandahar in recent months. However, Daud's actions have undoubtedly been noted by the more moderate elements of the Afghan ruling clique, including the King, the Prime Minister (now in the US), and the Acting Prime Minister, and steps are probably being taken to curb his efforts. It is believed that Daud will be unable to seize control of his government if such, indeed, is his plan.

SECTION 3 (WESTERN)

"B" UNITED KINGDOM. Foreign Office Estimate of Iranian Situation. The UK Foreign Office considers that the Iranian Government's attitude on the oil dispute is softening somewhat, but continues to believe that it would be a mistake to send to the parliamentary oil committee meetings a British representative empowered to negotiate, because there is as yet no clear indication of Iranian willingness to do so. If evidence of a basis for negoti-

SECRET

SECRET

ating should appear during the committee's meetings with the Anglo-Iranian Oil Company's Tehran representative, the UK is prepared to seize the opportunity and send out a high level negotiator. (S S/S London 6221, 28 May 51).

COMMENT: British reluctance to initiate negotiations springs from an apparent conviction that the Iranians consider that all aspects of the nationalization question are subject to unilateral Iranian decision. Continuation of the present stalemate, however, could well force the Iranian Government into some precipitate action in order to gratify clamorous nationalist sentiment.

"B" BELGIUM. Belgium Favors Membership of Greece and Turkey in NATO. A Belgian Foreign Office official informed the US Ambassador in Brussels that, on balance, Belgium feels that Greece and Turkey should become NATO members. Although Belgium wishes first to have fuller understanding of the views of other countries and the risks involved, Belgium does not consider the fear of Soviet reaction to Greek and Turkish membership in NATO as a valid reason for opposition in view of the defense commitments already undertaken by Western Europe. (S S/S Brussels 1880, 28 May 51). COMMENT: Belgian support of the US position is an indication of a definite break in the opposition to Greek and Turkish membership in NATO on the part of the small countries of Western Europe. The Netherlands, which has been considered the spokesman for the small countries, has indicated a possible modification in its position if the importance of Greece and Turkey in the defense of the Mediterranean is spelled out.

SECRET

UNCLASSIFIED when Approved For Release 2001/09/04 : CIA-RDP80-01464A000200040001-6
 Classified when filled in form is detached from controlled document.

**1
C
P

S
E
C
R
E
T**

ATTENTION: This form will be placed on top of and attached to each Top Secret document received by the Central Intelligence Agency or classified Top Secret within the CIA and will remain attached to the document until such time as it is downgraded, destroyed, or transmitted outside of CIA. Access to Top Secret matter is limited to Top Secret Control personnel and those individuals whose official duties relate to the matter. Top Secret Control Officers who receive and/or release the attached Top Secret material will sign this form and indicate period of custody in the left-hand columns provided. Each individual who sees the Top Secret document will sign and indicate the date of handling in the right-hand columns.

NOTICE OF DETACHMENT: When this form is detached from Top Secret material it shall be completed in the appropriate spaces below and transmitted to Central Top Secret Control for record.

Approved For Release 2001/09/04 : CIA-RDP79T01145A000200040001-6